

Message Text

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ACTION EB-07

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R 301455Z JAN 76

FM AMEMBASSY BELGRADE

TO SECSTATE WASHDC 5456

INFO AMCONSUL ZAGREB

C O N F I D E N T I A L BELGRADE 654

E.O. 11652: XGDS-4(IMPOSSIBLE TO DETERMINE)

TAGS: EAIR YO

SUBJ: POLITICS OF CIVIL AVIATION

REF: BELGRADE 395

1. EMBASSY HAS BEEN TOLD IN STRICT CONFIDENCE THAT INEX-ADRIA DIRECTOR NEDOG BELIEVES NEW CUSTOMS LAW RAISING DUTIES ON IMPORTED AIRCRAFT FROM 9 TO 21 PERCENT WAS PURPOSE-FULLY INSTIGATED BY JAT DIRECTOR GENERAL RADISAVLJEVIC IN EFFORT TO PUT INEX-ADRIA OUT OF BUSINESS (INEX-ADRIA WAS FORCED TO CANCEL A DC-9 ORDER BECAUSE OF NEW LAW AND EXPECTS BE REQUIRED TO PAY NEW 21 PERCENT DUTY ON A DC-9 DELIVERY THIS SPRING ALTHOUGH PLANE WAS ORDERED SEVERAL MONTHS AGO. PREVIOUSLY PAYMENT OF DUTY COULD BE SPREAD OVER SEVERAL YEARS BUT REPORTEDLY NEW LAW REQUIRES FULL PAYMENT UPON DELIVERY OF AIRCRAFT).

2. SENIOR YUGOSLAV BANKER TOLD EMBASSY HIGHER CUSTOMS ON AIRCRAFT IMPORTS WOULD NOT PREVENT JAT FROM PURCHASING NEW PLANES BECAUSE "LAWS ARE LAWS BUT THERE ARE ALWAYS EXCEPTIONS." WHEN ASKED IF THIS MEANT JAT MIGHT BE EXEMPTED BUT NOT INEX-ADRIA OR PAN-ADRIA, HE REPLIED JAT WOULD CERTAINLY BE EXEMPT BUT SAID IT MORE DIFFICULT TO PREDICT IF OTHER AIRLINES WOULD QUALIFY FOR EXEMPTIONS SINCE THEY ARE LOCAL IN ORIENTATION, CHARTER ORIENTED AND/OR DO NOT FLY SCHEDULED

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INTERNATIONAL SERVICE.

3. COMMENT: EMBASSY WAS TOLD RECENTLY BY SENIOR YUGOSLAV CIVIL AVIATION OFFICIAL THAT MERGER OF FOUR YUGOSLAV AIR COMPANIES IS DEFINITELY OFF BECAUSE INEX-ADRIA AND PAN-ADRIA HAVE SUCCESSFULLY RESISTED, WITH POLITICAL SUPPORT FROM SLOVENIA AND CROATIA, WHAT THEY CONSIDERED TO BE EXCESSIVE INTEGRATION INTO JAT WITH ACCOMPANYING REDUCTION OF COMMERCIAL VIABILITY AND LOSS OF COMPANY AND REGIONAL IDENTITY. HOWEVER, IN JANUARY 1976 RADISAVLJEVIC HIMSELF TOLD AMBASSADOR THAT MERGER IS NOT OFF AND MAY YET SUCCEED. GIVEN ABOVE INFO, IT IS NOT INCONCEIVABLE THAT JAT (POSSIBLY SUPPORTED BY FEDERAL OFFICIALS AND YUGOSLAV ARMY) HAS HIT UPON CUSTOMS FEE SCHEME AS WAY OF STRIKING AT REGIONALLY BASED AIR COMPANIES FOR EITHER PUNITIVE REASONS OR AS WAY OF RENEWING PRESSURE FOR MERGER. IF SO, IT IS A REMARKABLE DEVELOPMENT AND FURTHER INDICATION OF THE POLITICAL CONTENT FOUND IN SETTling ECONOMIC AND COMMERCIAL DISPUTES. HOWEVER, WE WOULD BE SURPRISED IF INEX-ADRIA IS DENIED CUSTOMS EXEMPTIONS FOR AIRCRAFT PURCHASES ONCE JAT ORNDNY OTHER YUGOSLAV AIR COMPANY HAS BEEN EXEMPTED. THE SAME POLITICAL CLOUT THAT REPORTEDLY ALLOWED INEX-ADRIA AND PAN-

ADRIA TO FRUSTRATE THE MERGER WILL CERTAINLY BE USED ON THEIR BEHALF IN ORDER MAINTAIN THEIR COMMERCIAL VIABILITY.
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